

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 EURE-00 SSO-00 NSCE-00

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INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: TRADE COMMITTEE MEETING MARCH 4-5:

REF: OECD PARIS 5652

1. SUMMARY. TRADE COMMITTEE CHAIRMAN AND MAJORITY OF DELS AGREED TO STATEMENT (TEXT IN PARA 4 BELOW) OF VIEWS REGARDING RENEWAL OF TRADE PLEDGE. ALL BUT UK WERE READY TO CALL FOR RENEWAL. REPORT INCLUDES US PROPOSAL THAT TC AND TCWP MAKE MORE ACTIVE USE OF NOTIFICATION AND CONSULTATION PROCEDURES FOR CHANGES IN TRADE POLICIES AND PRACTICES AS MEANS OF CONTRIBUTING TO OBJECTIVES OF TRADE PLEDGE. END SUMMARY

2. IN VIEW OF STRONG DESIRE OF TC CHAIRMAN HERMES AND LARGE NUMBER OF DELS TO EXPRESS VIEWS ON RENEWAL OF TRADE PLEDGE BEFORE SUBJECT TAKEN UP BY XCSS, TRADE COMMITTEE HAD FAIRLY EXTENSIVE DISCUSSION AND AGREED ON FORMAL REPORT. VIRTUALLY ALL DELS WHO SPOKE AGREED TRADE PLEDGE HAD HAD POSITIVE EFFECTS, WAS EVEN MORE NEEDED NOW THAN LAST YEAR GIVEN DETERIORATION OF ECONOMIC SITUATION, AND SHOULD BE RENEWED WITHOUT CHANGES IN TEXT. UK (ABRAMSON) SAID IT NOT YET ABLE TO TAKE POSITION, AND POINTED TO NEED TO BRING THE QUESTION OF "MAINTENANCE OF WORLD DEMAND" INTO THE PLEDGE IN SOME WAY. EC COMMISSION, (HIJZEN) ALSO TOOK CAUTIOUS NOTE STATING THAT NO EC POSITION HAD BEEN REACHED. (GERMAN REP TOLD US PRIVATELY THAT UK WAS HOLDING OUT IN BRUSSELS FOR POSSIBLY CHANGING THE TEXT OF THE PLEDGE TO EMPHASIZE THE NEED FOR SURPLUS COUNTRIES TO TAKE ACTION TO REDUCE PAYMENTS IMBALANCES.) US DEL (GLITMAN) PROPOSED THAT TRADE COMMITTEE USE OCCASION OF PLEDGE RENEWAL TO STRENGTHEN AND REJUVENATE EXISTING NOTIFICATION AND CONSULTATION PROCEDURES IN OECD REGARDING CHANGES IN LIMITED OFFICIAL USE

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TRADE POLICY, AND GAVE FRENCH EXPORT INVESTMENT SUBSIDY, AUSTRALIAN IMPORT RESTRICTIONS AND UK INFLATION INSURANCE SCHEME AS EXAMPLES OF MEASURES THAT SHOULD BE DISCUSSED IN SOME DEPTH IN TC AND TCWP. SEVERAL DELS SUPPORTED US IDEA BUT AUSTRALIANS AND FRENCH WERE DEFENSIVE, THE FORMER REPEATING THEIR VIEW THAT THE AUSTRALIAN ACTIONS WERE NOT COVERED BY THE PLEDGE AND THE LATTER SAYING THEIR INVESTMENT MEASURE WAS NOT A TRADE ACTION, BUT A

MATTER OF INTERNAL POLICY.

3. A NUMBER OF DELS SUGGESTED VARIOUS CONSIDERATIONS WHICH THEY FELT SHOULD BE INCLUDED IN ANY MUTUALLY AGREED "COMMENT" WHICH MIGHT ACCOMPANY THE RENEWAL OF THE PLEDGE. AUSTRIANS PROPOSED MORE STRICT OBSERVANCE OF SPIRIT OF GATT ARTICLE 19 BY OECD MEMBERS, STAND-STILL PLEDGE ON NTB'S, AND A LINK BETWEEN THE PLEDGE AND THE MTN. SWISS STRESSED THE NEED TO REDUCE PAYMENTS IMBALANCES AND TO REFLATE DEPRESSED ECONOMIES, AND THE SPECIAL PROBLEMS CAUSED FOR SOME COUNTRIES BY UNSTABLE EXCHANGE RATES. FINNS URGED THAT THE DIFFERENT IMPACT OF THE CURRENT ECONOMIC SITUATION ON VARIOUS OECD COUNTRIES BE TAKEN

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MORE INTO ACCOUNT. SEVERAL COUNTRIES MENTIONED THE INCREASED CONCERN ABOUT SECTORAL RESTRICTIONS AND THE DIFFICULTIES IN DISTINGUISHING PROBLEMS CAUSED BY HIGH OIL PRICES FROM MORE GENERAL ECONOMIC DIFFICULTIES. NO CONCLUSION WAS REACHED ABOUT THE PRECISE WAY IN WHICH THESE CONCERNS SHOULD BE EXPRESSED IN THE COURSE OF RENEWING THE PLEDGE, ALTHOUGH, AS NOTED ABOVE, THERE WAS NEAR-UNANIMOUS AGREEMENT THAT THE TEXT AND INTERPRETATIVE NOTES SHOULD NOT BE CHANGED.

4. BEGIN TEXT OF REPORT:

1. AT ITS 42ND SESSION ON 4TH AND 5TH MARCH, THE TRADE COMMITTEE HAD AN INFORMAL EXCHANGE OF VIEWS ON THE RENEWAL OF THE DECLARATION ADOPTED BY THE GOVERNMENTS OF MEMBER COUNTRIES ON 30TH MAY, 1974.

2. THE MEMBERS OF THE COMMITTEE WERE UNANIMOUS IN STRESSING THE USEFULNESS OF THIS INSTRUMENT AND THE BENEFICIAL EFFECTS IT HAS HAD IN HELPING GOVERNMENTS TO AVOID RECOURSE IN UNILATERAL TRADE MEASURES.

3. THE COMMITTEE NOTED THAT THE SITUATION WHICH HAD GIVEN RISE TO THE DECLARATION WAS PERHAPS EVEN MORE SERIOUS NOW THAN AT THE TIME WHEN THE DECLARATION WAS ADOPTED. WHILE THE PROBLEMS OF INFLATION AND THE BALANCE OF PAYMENTS PERSIST, THE POSITION HAS WORSENED IN A NUMBER OF COUNTRIES WITH REGARD TO ECONOMIC ACTIVITY AND LEVELS OF DEMAND AND EMPLOYMENT. THESE ECONOMIC DIFFICULTIES ARE ALSO ADDING TO STRUCTURAL AND SECTORAL

PRESSES. SOME MEMBERS POINTED OUT THAT DIFFERENCES IN THE ECONOMIC SITUATION BETWEEN COUNTRIES HAVE ALSO TENDED TO INCREASE.

4. THERE IS VERY BROAD AGREEMENT THAT IN VIEW OF THIS SITUATION THE AIMS OF THE DECLARATION REMAIN COMPLETELY VALID, AND IN PARTICULAR THE AIM OF AVOIDING UNILATERAL ACTION IN THE FIELD OF TRADE AND OTHER CURRENT ACCOUNT TRANSACTIONS WHICH MIGHT TRIGGER OFF CHAIN REAC-LIMITED OFFICIAL USE

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TIONS AND WOULD NOT PROVIDE ANY SOLUTION TO THE DIFFICUL-TIES EXPERIENCED BUT WOULD ON THE CONTRARY MAKE THEM WORSE.

5. THE LARGE MAJORITY OF MEMBERS FELT THAT THE DECLARATION AND THE INTERPRETATIVE NOTES TO IT, SHOULD BE RENEWED AS THEY STAND, WHILE SOME WERE NOT ABLE AT THIS STAGE TO TAKE A POSITION. IN PARTICULAR ONE MEMBER FELT THAT THE POSSIBILITY OF CHANGES TO THE TEXT SHOULD NOT BE EXCLUDED.

6. THE OPINION WAS EXPRESSED BY SOME DELEGATIONS THAT THE DECISION ON THE PROLONGATION OF THE DECLARATION MAY BE ACCCOMPANIED BY SOME COMMENTS. SUCH COMMENTS MIGHT IN PARTICULAR AIM AT TAKING ACCOUNT OF DEVELOPMENTS WHICH HAVE TAKEN PLACE. IN THIS REGARD, IT HAS BEEN SUGGESTED THAT THE LINK WHICH THE DECLARATION ESTABLISHED BETWEEN THE DIFFICULTIES DESCRIBED AND THE RISE IN OIL PRICES HAD BECOME TOO NARROW. IT HAS ALSO BEEN SUGGESTED THAT THE STRUCTURAL AND SECTORAL PROBLEMS WERE OF GREATER CONCERN NOW THAN THEY WERE AT THE TIME OF ADOPTION OF THE DECLARATION AND ENTAILED A NEW RISK OF PROLIFERATION OF UNILATERAL MEASURES AND CHAIN REACTIONS IN THE FIELD OF TRADE AND THE CURRENT TRANSACTIONS. MEMBER COUNTRIES OUGHT TO HAVE THESE CONCERNS IN MIND IN APPLYING THE DECLARATION PARTICULARLY WHERE THE SAME SECTORAL DIFFI-CULTIES EXIST IN SEVERAL COUNTRIES. AS SPECIFIC ACTIVITY IN THIS CONNECTION, THE COMMITTEE AGREED THAT IT AND ITS WORKING PARTY WOULD MAKE MORE ACTIVE USE OF ITS NOTIFICA-TION AND CONSULTATION PROCEDURE FOR CHANGES IN TRADE POLICIES AND PRACTICES. THE COMMITTEE WAS OF THE OPINION THAT SUCH USE WOULD, EVEN IN CASES WHERE THE DECLARATION WAS NOT DIRECTLY APPLICABLE, CONTRIBUTE TO THE GENERAL OBJECTIVES OF THE DECLARATION. FURTHERMORE, THERE WAS A CONSIDERABLE MEASURE OF SUPPORT FOR THE SUG-GESTION THAT THE COMMITTEE SHOULD BE PREPARED, AS FURTHER DEVELOPMENTS MAY WARRANT, TO UNDERTAKE CONSULTATIONS ON THE EVOLUTION OF THE SITUATION OF PARTICULAR PROBLEM SECTORS OR OF STRUCTURAL ELEMENTS IN MEMBER COUNTRIES' ECONOMIES THAT WOULD HAVE TRADE IMPLICATIONS RELEVANT TO THE OBJECTIVES OF THE DECLARATION.

7. THE VIEW WAS ALSO EXPRESSED THAT UNDERTAKINGS

CONCERNING POLICIES TO BE FOLLOWED IN THE FIELD OF TRADE
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AND OTHER CURRENT TRANSACTIONS SHOULD BE COMPLEMENTED BY
SUPPORTING ACTIONS WHICH, IN OTHER FIELDS, MIGHT GIVE A
POSITIVE RESPONSE TO THE PRESENT PROBLEMS AND AT THE SAME
TIME FACILITATE THE APPLICATION OF THE DECLARATION.
SIGNIFICANT PROGRESS HAS BEEN MADE CONCERNING COOPERATION
FOR FINANCING BALANCE-OF-PAYMENTS DEFICITS AND ALLEVIAT-
ING THE POSITIONS OF THE MOST SERIOUSLY Affected
COUNTRIES. BUT THERE REMAIN OTHER PROBLEMS IN OTHER

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FIELDS WHICH SOME MEMBERS FEEL SHOULD BE CONSIDERED.
MENTION WAS MADE IN PARTICULAR OF THE QUESTION OF MAIN-
TAINING OR EVEN INCREASING PURCHASING POWER, AND OF
STIMULATING DEMAND, AND ALSO OF THE QUESTION OF DEVEL-
OPMENTS WITH REGARD TO EXCHANGE RATES WHICH HAVE SERIOUS
MONETARY AND TRADE EFFECTS FOR SOME COUNTRIES.

8. THE COMMITTEE EXPRESSED ITS SATISFACTION THAT
THE MULTILATERAL TRADE NEGOTIATIONS HAD NOW REACHED A
SUBSTANTIVE PHASE AND FELT THAT THIS, TOGETHER WITH THE
DECLARATION, WOULD HELP TO RESTRAIN COUNTRIES FROM NEW
TRADE RESTRICTING MEASURES. THE COMMITTEE HOPES THAT
THERE WILL BE ACTIVE PARTICIPATION OF ALL MEMBER COUN-
TRIES IN THESE NEGOTIATIONS AND THAT THEY WILL BE SPEED-
ILY AND SUCCESSFULLY CONCLUDED.

9. SUMMING UP, THE EXCHANGE OF VIEWS IN THE TRADE
COMMITTEE HAS SHOWN THAT A LARGE MAJORITY IS IN FAVOR
OF REHEWING THE DECLARATION AS IT STANDS, ALTHOUGH SOME
CANNOT AT THIS STAGE TAKE A POSITION IN THIS RESPECT.
POSSIBILITIES CONCERNING THE ELABORATION OF COMMENTS
WHICH MIGHT ACCOMPANY THE RENEWAL OF THE DECLARATION
WERE ALSO MENTIONED. IN THIS RESPECT THE TRADE
COMMITTEE IS READY TO CONTRIBUTE TO FURTHER WORK WHICH
MIGHT BE REQUIRED. END TEXT OF REPORT

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